



**Senate Committee on Michigan Competitiveness
May 25, 2016**

MAHP Testimony in Support of Senate Bills 987 - 990

Good morning, Chairman Shirkey and Members. **I am here to testify on behalf of the Michigan Association of Health Plans in support of Senate Bills 987 - 990.** This legislation provides the mechanism for a long term stable source of revenue to support the Medicaid program and is consistent with the current objectives of our Association's Strategic Plan.

Background. As many know, MAHP has been a long time partner with the state in the development and implementation of various funding plans for Medicaid since 2001. The strategic planning and research of our members helped to shape the Quality Assurance Assessment Program on HMOs, the conversion and recent restoration of a Use Tax, and our advocacy on what we refer as "repurposing" of the use tax to maintain compliance with Federal Regulations. MAHP and members understand the operational mechanics of these initiatives and how it helps to support Medicaid and achieve our mission of assisting Michigan citizens to obtain affordable health care coverage.

Value of Repurposing. CMS has communicated to state Medicaid programs that the current "Use Tax" mechanism may not be viable after the end of this calendar year. We appreciate that the Executive Budget recommendation and the recommendations from the House and Senate Appropriations Committees have excluded future revenue from the Use Tax after December 31, 2016. That is the prudent position to take. However, our position is we must take one of two action steps this year: Either we "repurpose" the allocation of revenue generated by the "Use tax applied to Medicaid Plans" or we repeal the application of the tax as there is no means to cover the costs of the tax.

Repurposing is our preferred method as it offers the opportunity to generate revenue to support key portions of the state budget that are explicitly identified in the bills without creating a new tax. Further, based on recent CMS approval of the California alternative to their Use Tax, we now have a method to secure a definitive decision from CMS regarding this approach prior to implementation dates. The expected revenue is an easy calculation for budgeting purposes, once the appropriation for managed care is established each year and will grow with any increased enrollment or movement of populations from Medicaid Fee For Service into managed care.

We believe this approach will work and addresses CMS's concerns with our current Use Tax structure. It allows the State autonomy to define its own tax class, treats all those within that defined tax class equally, and is generally redistributive in its funding of non-Medicaid services. We believe this will generate predictable, long-term revenue to support key state non-Medicaid programs and we encourage support of the legislature to move this forward.